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**CONFEDERATION  
LIFE  
INSURANCE  
COMPANY**

**ANNUAL  
REPORT**

---

**1979**







# 1979 Achievements at a glance

<i>Stated in 000's of Dollars</i>	<b>1979</b>	1978
<b>New Business – Premiums</b>		
Individual	\$ 28,841	\$ 24,915
Group	116,086	93,790
<b>New Business – Amounts</b>		
Individual Life	1,250,294	1,051,800
Group Life	2,293,866	2,718,633
<b>Business in Force</b>		
Individual Life (amount of insurance)	7,104,290	6,408,187
Group Life (amount of insurance)	22,354,014	18,617,085
Health (premiums in force)	231,158	183,791
Annuities and Pensions (funds held)	1,273,814	1,066,898
<b>Benefits</b>		
Contractual Payments to Policyholders and Beneficiaries	413,807	349,116
Dividends to Individual Policyholders	27,947	24,887
<b>Operating Income</b>	30,839	19,379
<b>Assets</b>	2,731,025	2,317,355
<b>Surplus and Investment and Contingency Reserve</b>	189,738	136,429
<b>Net Rate of Interest Earned</b>	9.40%	8.89%

Confederation Life Insurance Company is an international company with offices in Canada, the United States, the Caribbean and the United Kingdom. Founded in 1871, we are a mutual company owned by our policyholders. The Company has enjoyed excellent growth while continuing to meet the changing needs of the public with a wide variety of plans and services.

321 Bloor Street East, Toronto, Canada M4W 1H1



## President's Remarks

The statements contained in this Annual Report tell the story of another successful year for Confederation Life. In past years we have been able to report record sales, increases in business in force and higher earnings. All this can be said again for the year 1979. But, in our enthusiasm to tell the story of our success in the marketplace and the record of our financial achievements, we should not forget the fundamental purpose of the Company — to provide money to people in times of disability, retirement or death. With that in mind, our theme in this Annual Report is the story of the benefits which Confederation Life pays out to the hundreds of thousands of policyholders in widespread areas throughout the world. We believe that this large flow of benefit payments is the real mark of accomplishing our corporate purposes.

Our specific objectives include providing policyholders with products that are low cost and designed to fill current and future needs. During the past year we announced dividend increases on policies in force which, in the aggregate, were substantially greater than any previous dividend increases. These higher dividend scales reflect the improvement in the pattern of the Company's financial results and demonstrate the principle of mutual, or participating, insurance. To improve our ability to meet current

needs in the marketplace, we have introduced major changes in product design and pricing. Additional comments on these changes appear in the regional reports in the pages ahead.

Confederation Life has long been recognized as a leader in the field of electronic data processing. Our policyholders benefit from the fast, efficient and economical processing of policies and claims and we, the Company, benefit from the resulting competitive advantage, particularly in the Group insurance market. During 1979 a major change in our processing capacity took place when we installed the largest and most advanced of IBM's computers, the 3033. With this equipment, we are in a position to broaden the scope of computerized activities and improve the efficiency of existing data processing systems. The extraordinary growth of our Group life and health and pension business has increased the demand for speed and economy in the handling of large numbers of transactions, particularly in the area of health claims.

We have a major obligation to our policyholders to put to work, in the most effective manner, the funds which they have entrusted to us. To meet this responsibility, we have a large investment staff which includes portfolio managers, traders, analysts, economists and mortgage and real estate managers — specializing in Ca-



*Members of the President's Advisory Council: (standing, left to right) P. W. Lloyd, Vice-President, United States and Caribbean Operations; D. E. Watts, Vice-President, Corporate; P. D. Burns, Executive Vice-President; (seated, left to right) J. B. Heard, Vice-President, Canadian Operations; W. R. Learmonth, Vice-President, General Counsel and Secretary; J. A. Rhind, President and Chief Executive Officer; Paul Wortman, Vice-President and General Manager for the United Kingdom; and J. H. Watson, Vice-President, Investments.*



While higher rates of interest income help to offset increases in operating expenses, there are several reasons why we do not welcome the level of interest rates reached in North America during 1979. Under such conditions, many business projects are dropped or shelved. This may serve the purpose of slowing down the economy and easing inflationary pressures, but the delicate balance of the economic climate and business confidence may not withstand such treatment; meanwhile, inflation continues at a growing rate. The discouraging influence of steep increases in interest rates on entrepreneurial activities disrupts the markets for fixed income investments — the area on which life companies largely rely in directing their investment funds. Mortgages have become a principal outlet as they are particularly well suited as assets to match single premium annuities and other policyholder liabilities. With the abrupt increase in interest rates, the availability of mortgages has shrunk to a level far below our needs. These conditions will provide a special challenge to our investment people in the months ahead.

As a measure of financial results, Confederation Life has set the following objectives — “To produce earnings which are sufficient, first, to ensure the financial stability of the Company, then, to provide products and services at prices which are better than the average provided by our major competitors and to permit growth at a rate which exceeds the performance of the industry”. These objectives have largely been achieved in 1979 as the statements in the following pages help to show. In addition to marketing and financial success, this Annual Report emphasizes achievement as measured by the extraordinary growth in benefits paid to policyholders.

Confederation Life is organized on a regional basis. Each of the three marketing regions – Canada, the United States and Caribbean, and the United Kingdom – operates as a separate division with most of its own supporting services. Reports by the Regional Vice-Presidents are contained in this Annual Report, with a report on overall investment operations by the Vice-President, Investments. And, finally, the Report of the Directors to the Policyholders, combines these results to give the total picture for the Company.

J. A. Rhind



## Confederation Life

# La Confédération

HOME OFFICE — TORONTO — ONTARIO — SIÈGE SOCIAL

№ 356164

DECEMBER 31, 1979

TO THE CANADIAN IMPERIAL BANK OF COMMERCE  
À LA BANQUE CANADIENNE IMPÉRIALE DE COMMERCE  
SUCCURSALE RUES BLOOR AND CHURCH STS. BRANCH  
TORONTO, ONTARIO

PAY TO THE ORDER OF  
PAYEZ À L'ORDRE DE

POLICYHOLDERS, CERTIFICATEHOLDERS, AND  
BENEFICIARIES\*\*\*

PAYE 2394000000

F306-16M 11/78

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*One of Confederation Life's prime objectives is to ensure that individuals covered under its contracts have adequate protection at the time of disability, sickness, retirement or death. This specimen cheque for \$1,394,000 represents the average amount of money the Company paid out in benefits and dividends to Policyholders, Certificateholders and Beneficiaries each working day during 1979.*



With continued emphasis on products offering protection, our sales of Individual insurance products in 1979 showed a gain of 7% over 1978. This result, which is based on annual premiums, is expected to match the performance of the industry.

We continue in our efforts to increase substantially the size and effectiveness of our career agency force. To this end, a major addition to our educational program was undertaken with the establishment of schools in Toronto and in Montreal for the training of new sales representatives. These schools are conducted in both English and French and have contributed much to the improved retention and production level of new representatives.

Lower than expected claim levels and effective cost control measures were major factors in the achievement of favourable financial results. The dividend distribution to policyholders was increased significantly over 1978 levels.

At the end of the year, we introduced an entire range of new products for the Canadian buyer. These products, which emphasize the unique ability of the life insurance industry to offer protection, were designed after a thorough study of the Canadian market carried on over a period of two years. The policy contracts, written in everyday language, reflect our direct and modern approach to meeting the insurance needs of the Canadian public.

In our Group operation, 1979 was a year of excellent growth in life and health insurance and in pensions. Based on anticipated industry results, we expect that our market share will have grown in each of these lines. Much of the growth of recent years in Group life and health insurance can be attributed to the high level of service provided to our clients —

in particular, the fast and accurate payment of health insurance claims. During 1979 we extended to Calgary and Vancouver the computer terminal system for the payment of these claims. In pensions, increases in interest rate levels made those of our products with interest guarantees particularly attractive and this was a major factor in making 1979 our largest ever sales year.

Financial results, although satisfactory for our total Canadian Group operation, were adversely affected by heavy claims levels in our health insurance coverages and to a lesser extent, in life insurance.

Single Premium Immediate Annuity contracts arise from both Individual and Group sources and Confederation Life is a major writer of such contracts. Total sales in 1979 were approximately \$26 million, matching the 1978 level. During 1979 our sales levels were constrained as we experienced a shortage of the mortgage investments necessary to support the competitive pricing required in marketing these contracts.

We will continue to pay close attention to changing trends in the marketplace and to the monitoring of consumer concerns and regulatory issues.

As we enter the decade of the eighties, we do so with the confidence that comes from the solid achievements of the seventies and in the realization that the key to continued success lies in the quality and motivation of our staff and in the training and leadership they receive.

### **P. D. Burns**

Executive Vice-President,  
(Vice-President, Canadian Operations 1974-1979)



*Insurance protection helps to create in families and individuals a sense of "well-being" — a confidence in their future. Of the \$1.4 million Confederation Life paid out each working day in 1979, \$337,000 was paid to beneficiaries of Individual and Group life policies. For most it meant the continuation of their regular pattern of living, for some the maintenance of a business or the paying off of a mortgage. For all, it confirmed the fact that life insurance protects the future.*



## United States and Caribbean

The United States and Caribbean Region had a very successful year.

We are particularly pleased with the results of our United States Group operation. Sales of Group life and health products exceeded 1978 results by 39%. Total premium growth was 28%, bringing our premium income to \$64 million at the end of the year. Financial results also exceeded expectations. These results demonstrate the growing confidence corporate benefit buyers have in our services and are a compliment to our entire Group organization, both in the field and in Home Office.

At the beginning of 1979 a new Group sales office was opened in Atlanta, Georgia and enjoyed almost instant success. Early in 1980, a claims office will be opened in conjunction with the Atlanta office, enabling us to provide increased service to our growing clientele in that area. In the Spring of 1980 we will open a sales office in St. Louis, Missouri. These new offices, along with others planned for the future, demonstrate our intentions to expand our share of the market.

An automated claims system is currently being developed and should be fully operational in 1981. This will further improve client service.

In the United States our Individual insurance operation exceeded its target for growth in total premium income with an increase of 10% over 1978.

Premiums were reduced on most of our currently offered life products as a result of improved mortality and higher portfolio yields.

In the Spring of 1979 the Board of Directors approved an increase in dividends on certain policy groupings to take effect June 1 and, later in the year,

the Board approved a further increase to take effect January 1, 1980. These dividend increases reflect the excellent financial results achieved in recent years in our United States operation.

Statistical evidence demonstrating improved longevity for non-smokers resulted in the introduction of a non-smokers' discount during the year.

Several new plans were developed during 1979 which were directed at particular segments of the market. The success of these plans played a significant role in the achievement of our objectives. It is interesting to note that the design of these products was influenced to a great extent by advice received from our General Agents.

The number of General Agents under contract in the United States increased from 165 to 217, and the number of new policies issued grew by 10%. Both of these indicators of progress encourage us to feel that our ambitious growth plans for 1980 are attainable.

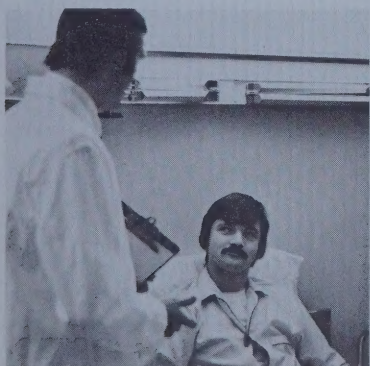
Our fine organization in Barbados again showed an increase in sales over the previous year.

In the Dominican Republic, sales were down only slightly despite the devastation caused by the summer hurricanes. The blow to the economy and the loss of life was tragic. It is a great credit to the citizens of the Dominican Republic that they were able to recover so quickly.

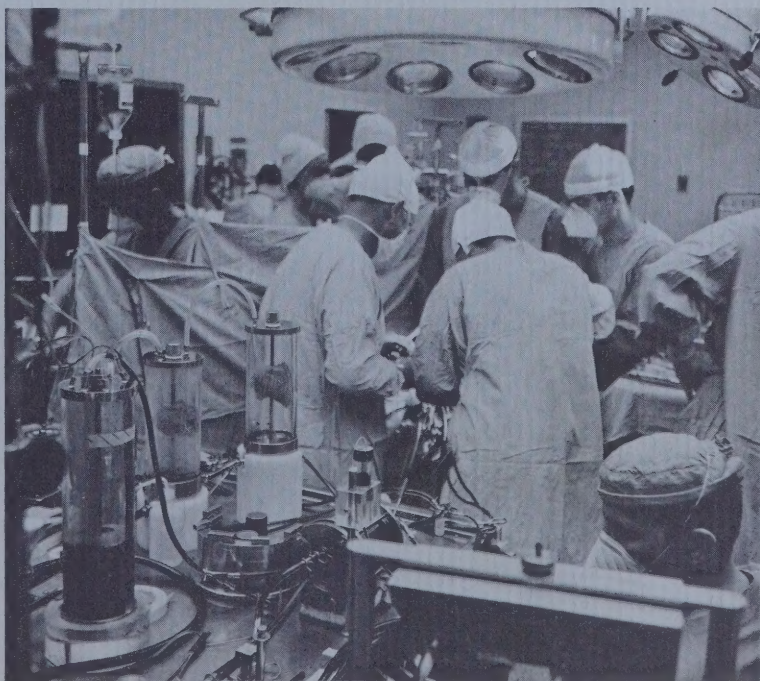
Total premium income for both United States Group and Individual operations at the end of 1979 amounted to \$124,760,000, an increase of 19% over 1978. We expect this favourable performance to continue.

### P. W. Lloyd

Vice-President, United States and Caribbean Operations



*Each year thousands of individuals suffer disabilities serious enough to affect their employment. Without the protection offered by disability and health care insurance, their loss of income or the health care costs could create unbearable financial burdens. In 1979 the Company paid disability and health claims totalling \$791,000 a day. Health insurance is there when it's needed most.*





# United Kingdom

Despite higher inflation than had been forecast and interest rates that reached record levels, the market for life insurance products in the United Kingdom continued to be very favourable throughout the year.

For Confederation Life in 1979, the previous year's record sales figure for Individual insurance was topped by 21%, bringing the increase over the two-year period to 74% — well above industry performance. For the first time a U.K. branch captured the top position in the international sales ranking of all the Company's offices, with Manchester leading, followed by London Central, Birmingham North and Sheffield in the next three places.

One of the most significant accomplishments of the year was a considerable increase in the size of our sales force. This aspect of marketing operations will continue to have top priority in 1980.

Excellent growth in total premium income, well above the rate of inflation, was matched by highly satisfactory financial results despite strong inflationary pressure on costs.

In common with the industry, we experienced more administrative problems than anticipated in the implementation of legislation affecting premium collection routines. However, a persistency rate of 92% testifies to the effectiveness of arduous work by field and administrative staff in overcoming the difficulties.

Our relatively small group pensions operation had a very satisfactory year in relation to its objectives in sales, total premium growth and financial results.

Elsewhere in this report comment is made on an interesting and successful year in our U.K. investment operations, accompanied by favourable press publicity on investment performance.

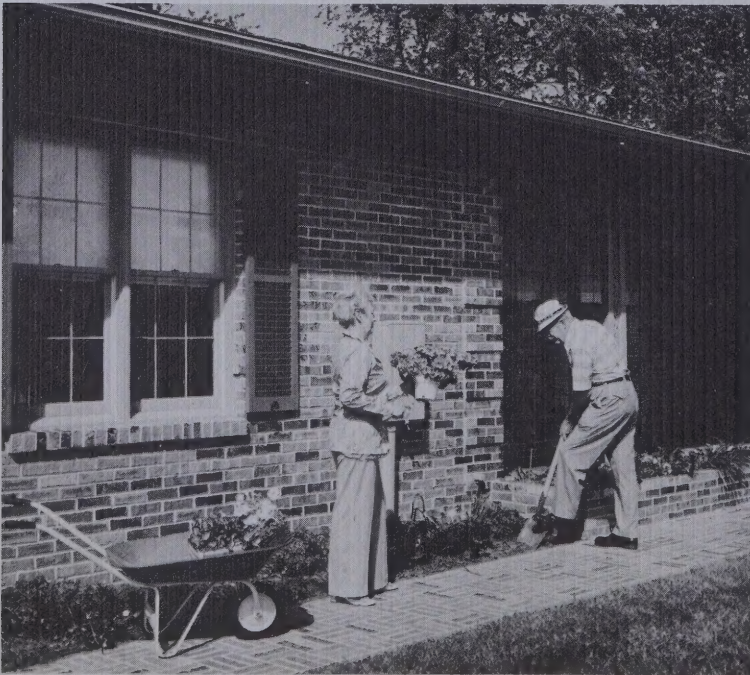
Rapid progress was made with further application of our new direct link with the central computer in Toronto. Work continued on programmes to increase our capacity to handle planned future growth without prejudice to quality of service.

Over the year, continued attention was given to programmes for promoting the interchange of ideas and information both within the U.K. Region and with Home Office. The President addressed a Branch Managers' meeting in January and a Chief Office Managers' meeting in September. Also, several visits in both directions between Toronto and London by management staff on various assignments were highly beneficial.

The United Kingdom Region has new and ambitious plans for the eighties and views the future with optimism, confident that it will continue to make its important contribution to the Company's overall growth and financial strength in the interest of policyholders everywhere.

## Paul Wortman

Vice-President and General Manager  
for the United Kingdom



*Sound financial planning can guarantee retirement security and peace of mind. These are years to be enjoyed — not endured. Each day in 1979 individual annuitants and group pensioners received \$155,000 from Confederation Life. They and their employers took steps years ago to make today secure.*



## Investments

During 1979 total assets of Confederation Life increased by \$414 million to total \$2.731 billion. The investment of these funds was the responsibility of investment teams located in Home Office, Property Branches across Canada and Chief Office, U.K.

In **Canada** the 1979 financial market environment was highlighted by a further dramatic rise in interest rates. The Prime Rate ended the year at 15% up from 11.50% at the end of 1978. The McLeod Young Weir 50 Bond Index increased from 10.25% to 12.00% and mortgage rates increased approximately 1½ percentage points to 13%. The Toronto Stock Exchange 300 Index closed at a record level of 1813, up 38.4%.

Investment policy for the Canadian general insurance funds continued to emphasize mortgages. We approved a record amount for both general and segregated funds of \$170 million at an average rate of 11.21%.

The market value of our Canadian holdings of common stocks, excluding segregated funds but including Oxford, was \$121 million, up from \$81 million at the end of 1978. The single most significant event was the decision to eliminate our position in Oxford Development Group Limited, which was completed in January 1980.

Our Canadian group pension segregated fund business continued to expand rapidly with assets under management increasing from \$508 million to \$650 million. At year end our investment policy for the majority of our group segregated pension clients called for a cash flow allocation of 40% common stocks (30% Canadian and 10% U.S.) and 60% fixed income.

The **United States** also experienced a dramatic increase in interest rates. The Prime Rate rose from 11.75% at the end of 1978 to 15.25%. The Salomon AA new issue utility yields index increased from 9.55% to 11.85%. The rate on conventional commercial mortgages increased 2 percentage points to 12.00%. The Standard & Poor's 500

Stock Market Index closed the year at 107.94, up 12.3%.

Our investment policy for new money for the general insurance funds also emphasized mortgages.

The market value of our U.S. holdings of common stocks, excluding segregated funds, approximated U.S. \$43 million up from U.S.\$23 million at the end of 1978.

Our U.S. group pension segregated equity fund received favourable reports by The Wall Street Journal and Pension and Investment Magazine for excellent performance over the past 1, 3, 5 and 10-year periods (compared to the stock market averages and the competition).

In the **United Kingdom**, interest rates, trendless over the first three quarters of the year, jumped sharply in the closing months. The Minimum Lending Rate ended the year at 17.00% up from 12.50% at the end of 1978. The yield on British Government medium coupon long term bonds increased from 12.70% to 14.40%. The stock market was relatively unchanged.

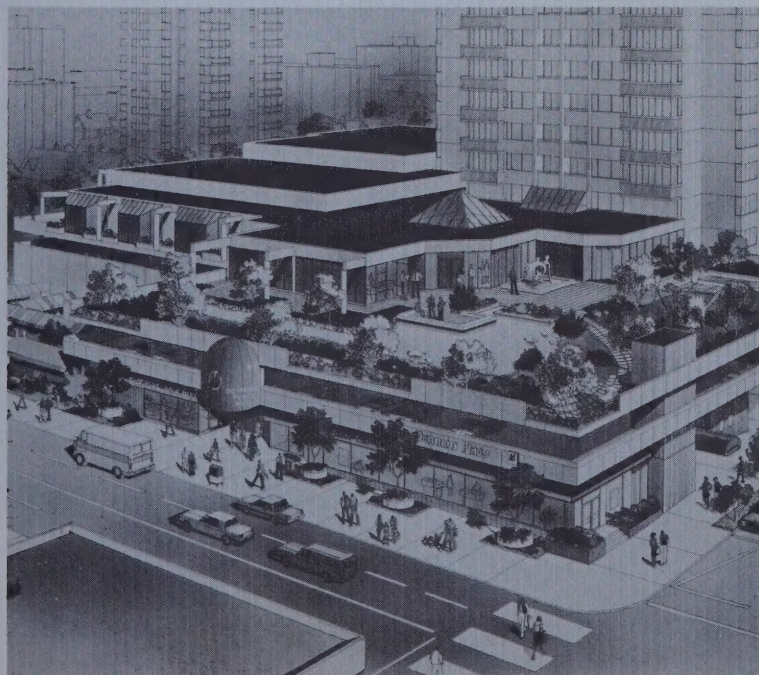
Our investment policy for the U.K. general insurance funds continued to emphasize government securities in the absence of new issues of corporate securities and few mortgage inquiries.

Investment policy for U.K. unit-linked funds emphasized a cash flow allocation of 50% bonds, 35% stocks and 15% real estate. Results for the U.K. segregated funds have been excellent. The pooled bond fund ranked first out of fourteen funds on the Harris Graham Survey for the two-year period ended September 30, 1979. Confederation Life Equity, which invests largely in Confederation Growth Units, had the distinction of heading both the 1-year and 5-year performance tables in the Planned Savings tabulation for the period ended November 1, 1979.

### J. H. Watson

Vice-President, Investments

*A mutual life insurance company distributes its profits to the participating policyholders in the form of dividend payments. Increased investment earnings, favourable mortality experience and careful control of expenses have enabled Confederation Life to maintain a high level of dividend payments on individual life insurance products. These payments in 1979 totalled \$28 million, or \$111,000 every working day.*

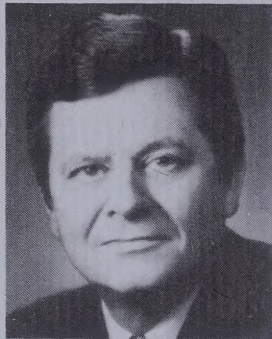




# Report of the Directors to the Policyholders



J. Page R. Wadsworth



John A. Rhind

The 1979 statements depict a year of achievement for Confederation Life in terms of marketing successes, benefits to policyholders and financial gains.

Sales of Individual insurance amounted to \$28.8 million of new annual premiums, an increase of 15.8% over 1978. Of this amount, Canadian business accounts for \$7.5 million, the United States \$9.6 million, the Caribbean \$1.2 million and the United Kingdom \$10.5 million.

Group sales totalled \$116.1 million of premiums, a gain of 23.8% over 1978. This total is made up of \$8.5 million Group life, \$54.5 million Group health and \$53.1 million Group pensions.

Business in force increased significantly. Individual life insurance rose from \$6.4 billion of sums insured to \$7.1 billion, while Group life increased from \$18.6 billion to \$22.4 billion. Group health premiums in force rose from \$180 million to \$227 million. Funds held for annuities and corporate pension plans rose from \$1.1 billion to \$1.3 billion. Total general and segregated fund assets

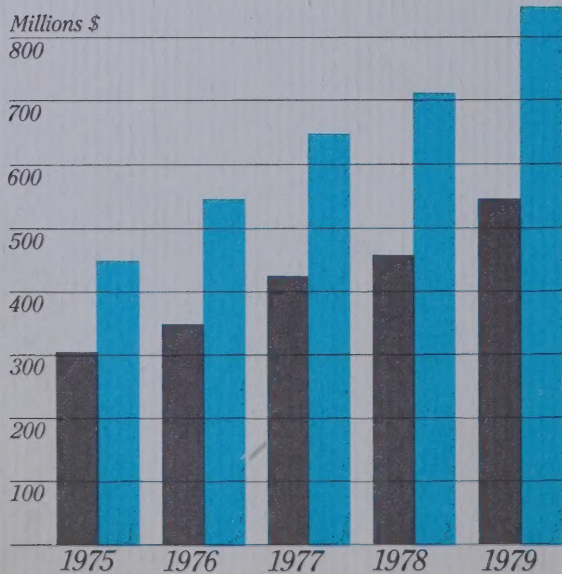
being managed for worldwide Group pension clients increased from \$670 million to \$839 million.

Total income from all sources increased 19.3% to reach \$856 million. Of this amount, \$542 million represented premiums from policyholders, \$150 million arose from segregated fund investment income and deposits, and \$165 million was investment income from the general funds. Included in this latter amount is \$4.8 million of amortization of net realized and unrealized capital gains as detailed in Note 5 of the Notes to the Financial Statements.

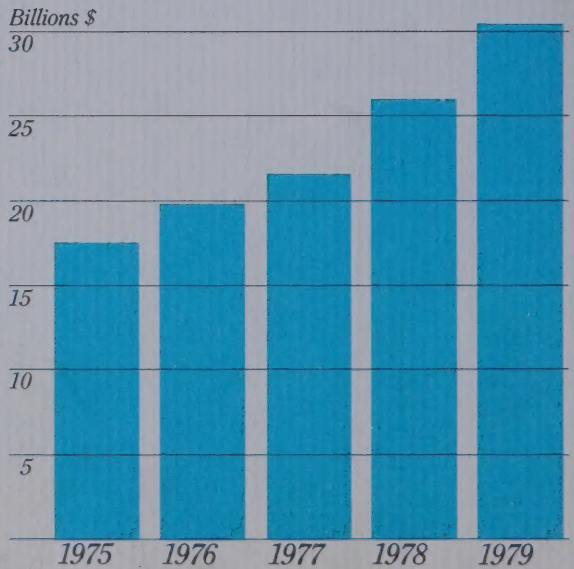
Distribution of Income figures show major increases in benefits paid to policyholders and their beneficiaries. Though mortality experience was generally lower than expected, death claims rose from \$69.2 million to \$84.6 million. Disability and health benefits increased from \$151 million to \$199 million. Dividends paid to Individual policyholders increased from \$24.9 million to \$27.9 million, reflecting higher dividend scales as well as the increased amount of business in force. The reduction in surrender payments from \$79.4 million to \$75.1 million is accounted for by the unusual increase in 1978 from \$52.6 million in 1977. This resulted largely from the transfer of certain corporate pension assets, a major portion of which was still kept under Company management.

After providing for corporate taxes, Operating Income was \$30.8 million compared to \$19.4 million in 1978. The chief reasons for this substantial increase were higher interest rates, favourable claims experience and the effect of the new accounting rules introduced by the Federal Department of Insurance in 1978. To comply with current accounting practices, the 1979 Consolidated Statement of Operations, after showing Operating Income, includes the sub-line "Unusual Items", amounting

■ Total Income  
■ Premium Income



Total Insurance in Force





to \$1.1 million. This figure contains items of a nature that in the past would typically have been shown in the Statement of Surplus. A description of these items is given in Note 9.

At year end, general funds, that is, assets exclusive of segregated funds, increased by \$271 million, or 15%, to reach \$2,027 million. Mortgage loans in the general funds increased by a record \$159 million to \$879 million, the bond account rose by \$18 million to \$628 million, and the book value of stocks rose by \$27 million to \$123 million. Policy loans increased \$23 million to \$161 million, which is almost double the increase in 1978. The net rate of interest earned on general fund assets, after deducting investment expenses, rose to 9.40% from 8.89%. Segregated funds, which are shown at market value, rose by 25% to \$704 million, bringing total assets to \$2,731 million.

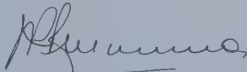
Referring to the Liabilities and Surplus side of the Consolidated Balance Sheet — as explained in Note 5, capital gains and losses on bonds, mortgages and stocks are amortized and brought into future years' income. For 1979, this gives rise to a Deferred Net Capital Gain of \$19.8 million being established as a Balance Sheet liability, as is detailed in Note 6.

The mandatory Additional Reserve Required for Solvency Purposes, dictated by the new insurance laws, increased by \$21.5 million to \$83.6 million. The Investment and Contingency Reserve of \$86.0 million and Surplus of \$103.7 million totalled \$189.7 million, an increase of \$53.3 million. The chief sources of this increase, as shown in the Consolidated Statement of Surplus, were Net Income, a reduction of Tax Liabilities for past years' operations and "Other Adjustments" which were detailed in Note 10.

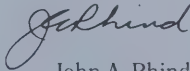
It is much regretted that Robert F. Chisholm, having reached the age at which directors are required to retire, will not be standing for election to the Board at the Annual Meeting on February 15th, 1980. Mr. Chisholm has been a major contributor to Board deliberations for thirty years. His sound advice will be greatly missed.

At a meeting on December 19th, 1979, the Board of Directors approved the appointment of Patrick D. Burns as Executive Vice-President, effective February 1st, 1980. In this role he will act as chief operating officer of the Company, while the President continues as Chief Executive Officer. During his thirty-three years with Confederation Life, Mr. Burns has had a broad range of experience and, since 1974, has been Vice-President, Canadian Operations. Mr. Burns will be nominated for membership on the Board at the Annual Meeting. The Board of Directors also approved the appointment of John B. Heard, currently Vice-President, Personnel, to take Mr. Burns' place as Vice-President, Canadian Operations. Mr. Heard has been with the Company for thirty-two years and has had extensive management experience.

Once again, the Directors express to the staff and those in the field in the widespread areas served by the Company, their appreciation for the contribution each has made to the fine results achieved in 1979.



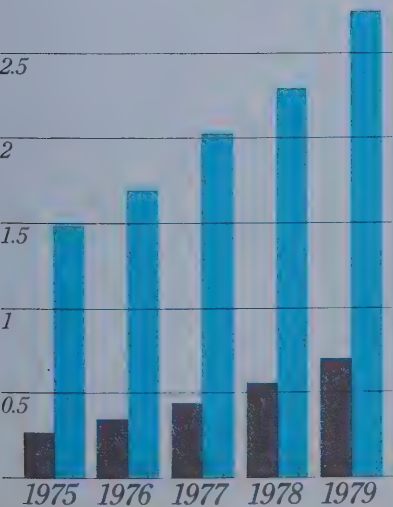
J. Page R. Wadsworth  
Chairman of the Board



John A. Rhind  
President and Chief Executive Officer

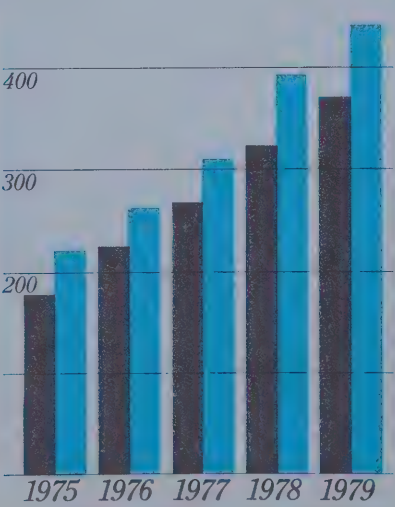
■ Total Assets  
■ Segregated Fund Assets

Billions \$

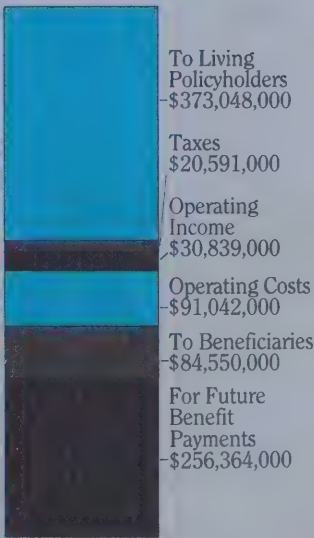


■ Total Payments to Policyholders and Beneficiaries  
■ Total Payments to Living Policyholders

Millions \$



Distribution of Income





# Consolidated Statement of Operations

for the year ended December 31, 1979

Income	Stated in 000's of Dollars	1979	1978
Premiums from Policyholders		<b>\$ 541,661</b>	\$458,268
Segregated Funds being Deposits and Income (Note 11)		<b>149,826</b>	120,715
Net Investment Income (Note 5)		<b>164,947</b>	138,673
		<b>856,434</b>	717,656

## Distribution of Income

To Policyholders and Beneficiaries		
Death Claims	<b>\$ 84,550</b>	\$ 69,248
Endowments Matured	<b>8,558</b>	8,084
Annuity Payments	<b>38,920</b>	34,070
Disability and Health Benefits	<b>198,571</b>	151,450
Surrender Payments	<b>75,098</b>	79,389
Interest to Policyholders	<b>8,110</b>	6,950
Increase in Segregated Fund Liabilities (Note 11)	<b>111,843</b>	68,625
Increase in Policyholders' Reserves (Note 7)	<b>144,521</b>	137,479
Dividends and Experience Refunds to Policyholders Paid or Set Aside	<b>43,791</b>	43,868
Operating Expenses		
Service, Sales & Administration Expenses	<b>91,042</b>	80,029
Premium and Income Taxes (Note 8)	<b>20,591</b>	19,085
	<b>825,595</b>	698,277
Operating Income	<b>30,839</b>	19,379
Unusual Items (Note 9)	<b>1,093</b>	698
Net Income	<b>\$ 31,932</b>	\$ 20,077

See Notes – Page 12

# Consolidated Statement of Surplus

for the year ended December 31, 1979

Stated in 000's of Dollars	1979	1978
Balance, Beginning of Year	<b>\$ 85,429</b>	\$ 78,111
Net Income	<b>31,932</b>	20,077
Transfer to Additional Reserve Required for Solvency Purposes	<b>(21,490)</b>	(8,414)
Transfer to Investment and Contingency Reserve	<b>(35,000)</b>	(5,600)
Reduction of Tax Liabilities (Note 8)	<b>7,749</b>	1,255
Adjustment for Currency Values (Note 3)	<b>3,659</b>	—
Other Adjustments (Note 10)	<b>31,459</b>	—
Balance, End of Year	<b>\$ 103,738</b>	\$ 85,429

See Notes – Page 12



# Consolidated Balance Sheet

as at December 31, 1979

## Assets

<i>Stated in 000's of Dollars</i>	<b>1979</b>	1978
Bonds (Note 4)	<b>\$ 627,539</b>	\$ 609,609
Stocks (Note 4)	<b>123,392</b>	96,746
Mortgage Loans (Note 4)	<b>878,832</b>	719,881
Segregated Investments (Market Value) (Note 11)	<b>703,540</b>	561,260
Home Office Property	<b>12,788</b>	12,767
Real Estate Investments (Note 4)	<b>96,798</b>	90,088
Loans on Policies	<b>161,187</b>	138,003
Cash and Bank Short Term Paper	<b>4,414</b>	7,459
Investment Income Earned but not yet Received	<b>31,443</b>	27,546
Premiums in Course of Collection	<b>39,298</b>	35,632
Other Assets (Note 12)	<b>51,794</b>	18,364
	<b>\$ 2,731,025</b>	\$2,317,355

## Liabilities & Surplus

<i>Stated in 000's of Dollars</i>	<b>1979</b>	1978
Policyholders' Reserves (Note 7)	<b>\$ 1,299,387</b>	\$1,195,192
Provision for Unreported or Incomplete Claims	<b>206,901</b>	161,752
Provision for Future Dividends and Experience Refunds to Policyholders	<b>40,507</b>	48,370
Actuarial Liabilities	<b>1,546,795</b>	1,405,314
Policy Proceeds, Dividends and Other Amounts on Deposit	<b>115,901</b>	102,796
Policy Claims in Process of Payment	<b>16,588</b>	17,275
Segregated Investment Funds (Note 11)	<b>703,540</b>	561,260
Net Amount Owing to Banks	<b>16,149</b>	—
Deferred Net Capital Gains (Losses) (Notes 6 and 12)	<b>19,804</b>	(4,099)
Taxes and Other Liabilities	<b>38,902</b>	36,262
Total Liabilities	<b>\$ 2,457,679</b>	\$2,118,808
Additional Reserve Required for Solvency Purposes	<b>83,608</b>	62,118
Investment and Contingency Reserve	<b>86,000</b>	51,000
Surplus	<b>103,738</b>	85,429
	<b>\$ 2,731,025</b>	\$2,317,355

See Notes — Page 12



# Notes to Consolidated Financial Statements

1. The accounting principles and presentation adopted by the Company are based upon those prescribed for purposes of annual filings with the Department of Insurance of Canada, differing with respect to certain financial statement presentation, as included in the Notes below.

2. Financial statements are prepared on a consolidated basis to include the operations of the Company's wholly-owned life insurance and real estate subsidiaries.

3. Throughout the statements, United States currency is included at the rate of \$1.10 Canadian to the U.S. dollar (\$1.00 is used in the comparative 1978 figures). Sterling currency is included at \$2.40 Canadian to the pound (\$2.20 is used in the comparative 1978 figures). The gain resulting from these changes has been credited to the Consolidated Statement of Surplus. If current rates of exchange had been used in the balance sheet there would have been no material change in the surplus shown.

4. Bonds and mortgage loans are valued at amortized cost and stocks are valued at cost. Real estate investments are valued at cost less accumulated depreciation.

5. As required by the insurance laws of Canada, realized gains and losses on the sale of bonds and mortgage loans are amortized and brought into income over the future lifetime of the security, but for a period not exceeding 20 years. Realized and unrealized gains and losses on stocks are amortized and brought into income at the rate of 7% annually. Gains and losses on real estate and on certain miscellaneous assets are not amortizable and are included in income in the year realized. The amounts amortized and brought into income are as follows:

<i>Stated in 000's of Dollars</i>	<b>1979</b>	1978
Amortization of net realized and unrealized gains on stocks	<b>\$ 3,864</b>	\$ 1,248
Amortization of net realized losses on bonds	<b>(690)</b>	(280)
Amortization of net realized gains on mortgage loans	<b>4</b>	9
Net realized gains on real estate	<b>1,585</b>	1,068
	<b>\$ 4,763</b>	\$ 2,045

6. Deferred net capital gains (losses) in the Consolidated Balance Sheet includes the following amounts:

<i>Stated in 000's of Dollars</i>	<b>1979</b>	1978
Realized gains on stocks, less accumulated amortization of realized and unrealized gains	<b>\$ 30,235</b>	\$ 642
Unamortized realized losses on bonds	<b>(10,532)</b>	(4,866)
Unamortized realized gains on mortgage loans	<b>101</b>	125
Deferred net capital gains (losses)	<b>\$ 19,804</b>	\$ (4,099)

7. The amount of Policyholders' Reserves in the Consolidated Balance Sheet is after deduction of deferred acquisition expenses of \$81,089,000 (1978 — \$73,589,000). The Increase of Policyholders' Reserves in the Consolidated Statement of Operations is after deduction of \$6,301,000 (1978<sup>1</sup> — \$4,005,000), being the increase in deferred acquisition expenses.

8. Full provision, on a taxes payable basis, is made in the Consolidated Statement of Operations for all taxes in respect of the current year's income. Adjustments of tax liabilities in respect of prior years are included in the Consolidated Statement of Surplus.

9. (i) Reductions of current year's taxes unrelated to operating income were \$3,771,000 (1978 — \$698,000).

(ii) The Company disposed of computer equipment for an amount which was \$2,678,000 lower than the depreciated book value.

10. (i) As a result of clarification during 1979 of Department of Insurance requirements in relation to the treatment of the obligation for future individual dividends, the Company altered its method of calculating Policyholders' Reserves. The resulting reduction in Policyholders' Reserves, together with certain other smaller adjustments, was \$25,423,000.

(ii) In 1977, the Company discontinued operations in some areas of the Caribbean. In 1979, the Minister of Finance for Canada gave final approval for the sale of the related business. The gain arising from these transactions amounted to \$6,036,000.

11. In the Consolidated Balance Sheet, segregated investment fund assets are shown at market value, and include net accumulated unrealized gains of \$21,002,000 (1978 — \$24,511,000). The income and distribution of income in the Consolidated Statement of Operations do not include net market value gains for the year on segregated investment fund assets of \$21,221,000 (1978 — \$28,554,000).

12. In 1979, the Company realized a capital gain of \$28,609,000 on the disposal of its stock holdings in Oxford Development Group Ltd. The unamortized realized gain of \$26,289,000 is included in deferred net capital gains in the Consolidated Balance Sheet. The portion of the sale proceeds received in January 1980 of \$34,808,000 is included in Other Assets in the Consolidated Balance Sheet.

13. Certain reclassifications have been made in the 1978 figures to conform with the presentation adopted in 1979.



## Report of the Valuation Actuary

## Auditors' Report

I have made the valuation of the Actuarial Liabilities of Confederation Life Insurance Company for its Consolidated Balance Sheet as at December 31, 1979 and for its Consolidated Statement of Operations for the year then ended. In my opinion (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries (ii) the amount of the Actuarial Liabilities makes proper provision for the future payments under the Company's policies and contracts (iii) a proper charge on account of those Actuarial Liabilities has been made in the Consolidated Statement of Operations, and (iv) the amount of Additional Reserve Required for Solvency Purposes is proper.

*Michael Rosenfelder, F.C.I.A.  
Corporate Vice-President  
Actuarial, Statements and Taxation*

*Toronto, Canada  
January 24, 1980*

To the Policyholders and Directors of  
Confederation Life Insurance Company:

We have examined the Consolidated Balance Sheet of Confederation Life Insurance Company as at December 31, 1979 and the Consolidated Statements of Operations and Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; we have relied on the report of the Company's Valuation Actuary as to the amount of the Company's Actuarial Liabilities and Additional Reserve Required for Solvency Purposes.

In our opinion, based on our examination and the report of the Company's Valuation Actuary, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations for the year then ended in accordance with the accounting practices described in the Notes to the Consolidated Financial Statements, applied on a basis consistent with that of the preceding year.

*Clarkson Gordon  
Chartered Accountants*

*Toronto, Canada  
January 24, 1980*



# International Sales, Service and Investment

## CANADA

Calgary, Alta.  
Chicoutimi, P.Q.  
Edmonton, Alta.  
Fredericton, N.B.  
Halifax, N.S.  
Hamilton, Ont.  
Hull, P.Q.  
London, Ont.  
Montreal, P.Q.  
Ottawa, Ont.  
Peterborough, Ont.  
Quebec City, P.Q.  
Regina, Sask.  
Saskatoon, Sask.  
Sherbrooke, P.Q.  
St. Catharines, Ont.  
St. John's, Nfld.  
Sudbury, Ont.  
Trois-Rivières, P.Q.  
Thunder Bay, Ont.  
Toronto, Ont.  
Vancouver, B.C.  
Victoria, B.C.  
Waterloo, Ont.  
Windsor, Ont.  
Winnipeg, Man.

## UNITED STATES

Aiea, HI.  
Akron, Ohio  
Alexandria, Va.  
Altamonte Springs, Fla.  
Amarillo, Tex.  
American Fork, Utah  
Ann Arbor, Mich.  
Atlanta, Ga.  
Augusta, Maine  
Aurora, Ill.  
Baltimore, Md.  
Beachwood, Ohio  
Bellevue, Wash.  
Bellmawr, N.J.  
Berthoud, Colo.  
Beverly Hills, Calif.  
Birmingham, Ala.  
Blue Bell, Pa.  
Boca Raton, Fla.  
Boston, Mass.  
Boulder, Colo.  
Burlington, N.C.  
Chapel Hill, N.C.  
Charleston, S.C.  
Charlotte, N.C.  
Chattanooga, Tenn.

Chevy Chase, Md.  
Chicago, Ill.  
Cincinnati, Ohio  
Cinnaminson, N.J.  
Clark, N.J.  
Cleveland, Ohio  
Clifton, N.J.  
Colorado Springs, Colo.  
Columbus, Ga.  
Columbus, Ohio  
Coral Gables, Fla.  
Dallas, Tex.  
Dayton, Ohio  
Daytona Beach, Fla.  
Del Rio, Tex.  
Denison, Tex.  
Denver, Colo.  
Detroit, Mich.  
Elkart, Ind.  
Ellicott City, Md.  
El Paso, Tex.  
Erie, Pa.  
Evanston, Ill.  
Fairfield, N.J.  
Fargo, N. Dak.  
Farmington, Mich.  
Fayetteville, N.C.  
Fort Lee, N.J.  
Fort Worth, Tex.  
Frederickton, Ohio  
Glenside, Pa.  
Grand Junction, Colo.  
Greensboro, N.C.  
Greenville, S.C.  
Hanover, N.H.  
Harrisburg, Pa.  
Hartford, Conn.  
Hartford, Wisc.  
Hollywood, Fla.  
Houston, Tex.  
Honolulu, HI.  
Indianapolis, Ind.  
Jacksonville, Fla.  
Johnstown, Pa.  
Kansas City, Mo.  
King of Prussia, Pa.  
Knoxville, Tenn.  
Kosciusko, Miss.  
Lakeland, Fla.  
Lexington, Ky.  
Lincoln, Neb.  
Los Angeles, Calif.  
Louisville, Ky.  
Lubbock, Tex.  
Lynchburg, Va.  
Madison, Wisc.  
Marietta, Ga.  
Memphis, Tenn.

Menominee, Mich.  
Metairie, La.  
Miami, Fla.  
Milwaukee, Wisc.  
Minneapolis, Minn.  
Monterey, Calif.  
Montgomery, Ala.  
Moorhead, Minn.  
Nashville, Tenn.  
New Bern, N.C.  
Newhall, Calif.  
New Orleans, La.  
Northfield, Ill.  
Northboro, Mass.  
Oakland, Calif.  
Oklahoma City, Okla.  
Omaha, Neb.  
Orlando, Fla.  
Pasadena, Calif.  
Peoria, Ill.  
Philadelphia, Pa.  
Phoenix, Ariz.  
Pittsburgh, Pa.  
Pittston, Pa.  
Pompton Lakes, N.J.  
Pompton Plains, N.J.  
Portland, Ore.  
Portsmouth, Va.  
Providence, R.I.  
Raleigh, N.C.  
Reno, Nev.  
Richmond, Va.  
Roanoke, Va.  
Sacramento, Calif.  
San Antonio, Tex.  
San Francisco, Calif.  
Sandusky, Ohio  
San Jose, Calif.  
San Leandro, Calif.  
San Mateo, Calif.  
Santa Ana, Calif.  
Sarasota, Fla.  
Seattle, Wash.  
Severna Park, Md.  
Sherman Oaks, Calif.  
Silver Spring, Md.  
Southfield, Mich.  
Springfield, N.J.  
Summerville, S.C.  
St. Cloud, Fla.  
St. Petersburg, Fla.  
Tampa, Fla.  
Teaneck, N.J.  
Tempe, Ariz.  
Toledo, Ohio  
Troy, Mich.  
Tigard, Ore.  
Tulsa, Okla.

Vienna, Va.  
Virginia Beach, Va.  
Walnut Creek, Calif.  
Washington, D.C.  
Willow Grove, Pa.  
Wilmington, Del.  
Winston-Salem, N.C.  
Worcester, Mass.  
Yardley, Pa.

## PUERTO RICO

Bayamon  
Caguas  
Ponce  
San Juan  
Santurce

## EASTERN CARIBBEAN

Bridgetown (Barbados)  
Castries (St. Lucia)  
Kingstown (St. Vincent)

## DOMINICAN REPUBLIC

Santiago  
Santo Domingo

## UNITED KINGDOM

Belfast  
Birmingham  
Brighton  
Bristol  
Cardiff  
Edinburgh  
Glasgow  
Ipswich  
Leeds  
Liverpool  
London  
Manchester  
Newcastle  
Nottingham  
Plymouth  
Preston  
Reading  
Sheffield  
Southampton  
Swansea



## 1979 Field Staff Conference

May 13-17, Scottsdale, Arizona



*"We have come from such widely scattered areas of the world — Barbados, St. Vincent, St. Lucia, Dominican Republic, Puerto Rico, United States, Canada, England, Scotland, Wales — with different climates, customs and ways of speaking — but all with a common interest in a Company called Confederation Life."*

### J. A. Rhind

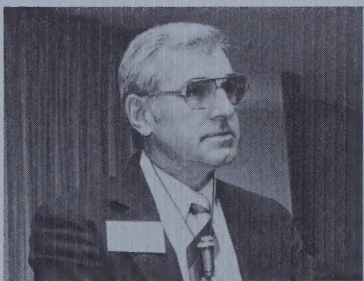
The important part of any Confederation Life Leaders' Conference is the daily business session featuring an exciting exchange of ideas — giving both Individual and Group leaders a chance to hear sales, service and motivational ideas from their peers.



### Hart Pfortmueller

Manager, Vancouver Group Pensions

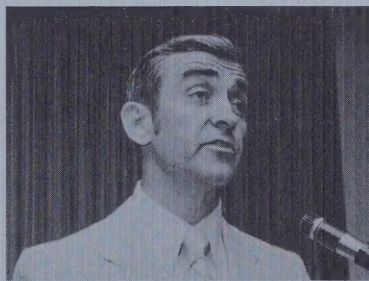
*"Today almost every business claims to provide the best service to its customers. If that is true, why do some companies attract and retain more clients than others? Why do we as successful Confederation Life agents and Group Representatives consistently outperform most of our competitors? Because we provide superior service."*



### Bill Koptis

General Agent, Cleveland, Ohio

*"I may think of life insurance plans like key man, split dollar, Section 79, pension or profit-sharing plans and group insurance. I may come up with great ideas, but if I have not developed empathy for my clients, I will fail to do the best job possible for them, their families and their businesses. Therefore to be most effective, I must try to understand their problems."*



### Chuck Mercer

Representative, Toronto West

*"We sometimes forget our role is not only to be educators but to be given an education by each client as to his immediate needs and future dreams. Our job is not just to listen and understand but to care and respond. There is a very real risk that you may be affected and even perhaps changed by those you meet. This world is full of people who are hurting. We can make a difference to some of those people."*



### Jack Shapiro

Senior Underwriter, London Central, U.K.

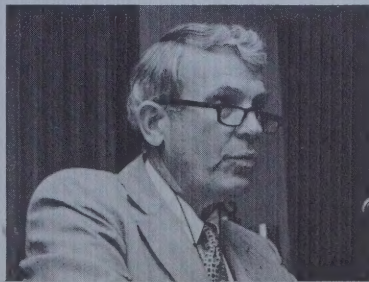
*"We provide a service to our policyholders that changes them from business sources into people who look to us for advice and guidance in all aspects of their family life and business and who often become valued friends."*



### Stephen Brearley

Senior Underwriter, Sheffield, U.K.

*"Our policies provide for widows and orphans; they provide food, shelter and education, they keep dreams alive. So next time someone asks you what you do for a living be proud to look him in the eye and say, 'I sell life insurance'."*



### Jack Dulworth

General Agent, Houston, Texas

*"The lawyer knows the problems of law, the doctor knows the problems of the physician, the CPA knows the problems of accounting, the bullfighter knows all about bullfighting and you and I understand, as no one else understands, the problems, joys, pitfalls, exasperations, the fatigue — what it's like to be a life insurance man."*



## Board of Directors

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**John A. Rhind**

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Vice-President

Partner, Fraser & Beatty

**George E. Mara**

Vice-President

Chairman, Jannock Limited

**George R. Albino**

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Rio Algom Ltd.

**Claude T. Bissell, C.C., Ph.D., D. Litt.,**

**D. ès L., LL.D., F.R.S.C.**

Former President, University of Toronto

**Conrad M. Black**

Vice-Chairman, Hollinger Argus Limited

**Robert F. Chisholm, O.B.E.**

Director, R.L. Crain Limited

**Pierre P. Daigle**

Vice-President, Harold Cummings  
Leasing Division, Montreal

**Anthony F. Griffiths**

President, Exmore Associates Limited

**C. Malim Harding, O.B.E.**

Chairman of the Board,  
Harding Carpets Limited

**Thomas E. Ladner, Q.C.**

Partner, Ladner Downs, Vancouver

**André Monast, Q.C.**

Partner, Létourneau & Stein, Quebec

**Sir Ralph Perring, Bt.**

Chairman, Perring Furnishings Limited,  
London, England

**Mrs. Helen D. Phelan**

Chairman, Percy R. Gardiner Foundation

**Ray D. Wolfe**

Chairman of the Board and President,  
The Oshawa Group Limited

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Executive Vice-President

**John B. Heard**

Vice-President, Canadian Operations

**William R. Learmonth, Q.C.**

Vice-President, General Counsel and Secretary

**Peter W. Lloyd**

Vice-President, United States and  
Caribbean Operations

**John H. Watson**

Vice-President, Investments

**David E. Watts**

Vice-President, Corporate

**Paul Wortman**

Vice-President and General Manager  
for the United Kingdom







